

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT, dated as of March 15, 2004 (this "Agreement"), is by and among Safeco Corporation, a Washington corporation ("Seller"), General America Corporation ("GAC"), a Washington corporation and a wholly owned subsidiary of Seller, White Mountains Insurance Group, Ltd., a company existing under the laws of Bermuda ("Parent"), and Occum Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Parent ("Buyer").

WHEREAS, Seller operates on a nationwide basis in segments of the insurance industry and other financial services-related businesses, including, through those certain direct and indirect Subsidiaries of Seller identified on Schedule A (each such person, an "Acquired Company"), the provision of individual and group insurance products, annuity products, mutual funds and investment advisory services;

WHEREAS, Buyer desires to purchase (directly or indirectly) all of the issued and outstanding capital stock of the Acquired Companies as of the Closing Date (collectively, the "Shares") for the consideration and subject to the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the representations, warranties, covenants and agreements contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I. PURCHASE AND SALE OF THE SHARES

Section 1.1 Purchase and Sale of Shares. At the Closing, on the terms and subject to the conditions set forth in this Agreement, Seller shall, and, with respect to the stock of SIS, shall cause GAC to, sell, assign, transfer, convey and deliver to Buyer, and Buyer hereby agrees to purchase, all of the Shares, free and clear of all Liens.

Section 1.2 Closing. Subject to the provisions of Article VI, the closing of the purchases and sales contemplated by this Agreement (the "Closing") shall take place in Seattle, WA at the offices of Seller at 10:00 a.m. Pacific time on the later of (i) June 30, 2004 and (ii) the last day of the month after the date on which each of the conditions set forth in Article V (other than conditions that are satisfied by the delivery of documents or the payment of money at the Closing) have been satisfied or waived by the party or parties entitled to the benefit of such conditions (or if such day is not a Business Day, on the next succeeding Business Day); provided, that solely for purposes of the parties' respective accounting, the Closing shall be deemed to have occurred at 12:01 a.m. on the first day of the following month, or at such other place, at such other time or on such other date as Parent and Seller may mutually agree. The date on which the Closing actually occurs is hereinafter referred to as the "Closing Date." Subject to the provisions of Article VI, a party's failure to consummate the purchases and sales provided for in this Agreement on the date and time and at the place determined pursuant to this Section 1.2 will not result in the termination of this Agreement and will not relieve any party of any obligation under this Agreement.

Section 1.3 Closing Obligations.

(a) At the Closing, Seller shall, or with respect to SIS, cause GAC to, deliver to Buyer:

(i) certificates representing the Shares of the Acquired Companies that are direct subsidiaries of Seller and GAC, duly endorsed (or accompanied by duly executed stock powers) in proper form for transfer of such Shares, with appropriate transfer stamps, if any, affixed, to Buyer;

(ii) a Transition Services Agreement, substantially in the form attached hereto as Exhibit A (the "Transition Services Agreement");

(iii) an Intellectual Property License from Seller to Buyer, substantially in the form attached hereto as Exhibit B (the "Buyer Intellectual Property License");

(iv) a Transitional Trademark License, substantially in the form attached hereto as Exhibit C (the "Transitional Trademark License");

(v) a Lease Agreement for the Redmond, WA campus facility, substantially in the form attached hereto as Exhibit D (the "Lease Agreement"); and

(vi) a copy of each new Investment Company Advisory Agreement (or, where permitted, approval of the continuation of the existing Investment Company Advisory Agreement) described in Section 4.9(b)(i)(B)(x).

(b) At the Closing, Buyer shall, and Parent shall cause Buyer to, deliver to Seller, including for the benefit of GAC with respect to SIS:

(i) \$1,350,000,000 (the "Closing Consideration") by wire transfer of immediately available funds to an account designated by Seller in writing at least two (2) Business Days' prior to the Closing Date, subject to the post-Closing purchase price adjustment pursuant to Section 1.4 hereof;

(ii) the Transition Services Agreement;

(iii) the Transitional Trademark License; and

(iv) the Lease Agreement (the documents described in clauses (ii)-(iv) along with this Agreement and the Buyer Intellectual Property License, being referred to collectively as the "Transaction Documents").

Section 1.4 Post-Closing Adjustment.

(a) As soon as practicable following the Closing, Seller shall prepare or cause to be prepared audited financial statements (including balance sheets and statements of income and the requisite footnotes thereto) of the Insurance Subsidiaries as of and for the six months ended June 30, 2004 (the "June Financial Statements"). The June Financial Statements (i) shall be prepared in accordance with SAP (which for purposes of this Section 1.4 only shall include the Agreed Accounting Policies) consistently applied in accordance with the accounting policies and practices (including with respect to assumptions, estimations methodology and actuarial methodology) used to prepare the Insurance Subsidiary Statements as of December 31, 2003 (the "December Financial Statements") and (ii) shall be audited by Ernst & Young LLP in accordance with generally accepted auditing standards in the United States ("GAAS"). For the avoidance of doubt, certain of the accounting policies and practices used to prepare the December Financial Statements and to be used to prepare the June Financial Statements are set forth on Schedule 1.4 attached hereto (such policies and practices, the "Agreed Accounting Policies"). No later than forty-five (45) days following the Closing, Seller shall cause a copy of the June Financial Statements to be delivered to Buyer, along with an unqualified executed audit opinion of Ernst & Young LLP substantially in the form attached hereto as Exhibit 1.4 stating that (i) the June Financial Statements were prepared in accordance with SAP and (ii) the June Financial Statements were audited by Ernst & Young LLP in accordance with GAAS.

(b) Buyer shall have forty-five (45) days following delivery of the June Financial Statements (the "Objection Period") to provide written notice to Seller (the "Objection Notice") of any good faith objection to any portion of the June Financial Statements (and the June Adjusted Statutory Book Value calculated therefrom), which objection shall be set forth with reasonable detail in such Objection Notice. Unless Buyer timely delivers an Objection Notice before the expiration of the Objection Period, the June Financial Statements (and the June Adjusted Statutory Book Value calculated therefrom) shall be deemed to have been accepted and approved by Buyer and shall thereafter be final and binding upon Buyer for purposes of any post-closing adjustment set forth in this Section 1.4 (and any amounts to be paid pursuant to Section 1.4(f) hereof shall thereupon be paid). In addition, to the extent any portion of the June Financial Statements or of the calculation of the June Adjusted Statutory Book Value shall not be expressly objected to in the Objection Notice, such matters shall be deemed to have been accepted and approved by Buyer and shall be final and binding upon Buyer for purposes hereof. If Buyer timely delivers an Objection Notice before the expiration of the Objection Period, then those aspects of the June Financial Statements objected to in the Objection Notice shall not thereafter be final and binding until resolved in accordance with this Section 1.4.

(c) Following receipt of any Objection Notice, Seller and Buyer shall discuss in good faith the applicable objections set forth therein for a period of thirty (30) days thereafter and shall, during such period, attempt to resolve the matter or matters in dispute by mutual written agreement. If the parties reach such an agreement, such agreement shall be confirmed in writing and the June Financial Statements shall be revised to reflect such agreement (or the parties shall otherwise agree to reflect such agreement in a written memorandum of adjustment (an "Adjustment Memorandum")), which agreement (and the (i) June Financial Statements, as so revised, including the June Adjusted Statutory Book Value calculated therefrom or (ii) Adjustment Memorandum, as applicable) shall thereafter be final and binding upon Seller and Buyer for purposes of any post-closing adjustment set forth in this Section 1.4 (and any amounts to be paid pursuant to Section 1.4(f) hereof shall thereupon be paid).

(d) If the parties are unable to reach a mutual agreement in accordance with Section 1.4(c) hereof during the thirty (30) day period referred to therein, then Seller and Buyer shall jointly select a qualified partner (with fifteen (15) or more years of life insurance accounting experience) of either Deloitte & Touche LLP or KPMG LLP (the "Accounting Expert"), who, acting as an expert and not as an arbitrator, shall resolve those matters still in dispute with respect to the June Financial Statements and the June Adjusted Statutory Book Value calculated therefrom. If the parties fail to agree on an Accounting Expert within five (5) Business Days after the expiration of the thirty (30) day period, either party may request the American Arbitration Association to appoint such an Accounting Expert (or a qualified partner (with fifteen (15) or more years of life insurance accounting experience) of another accounting firm if both accounting firms decline to or are disqualified from accepting the dispute), and such appointment shall be conclusive and binding upon the parties. The Accounting Expert's resolution of the matters in dispute, including any adjustments to the June Financial Statements (or the June Adjusted Statutory Book Value calculated therefrom) made by the Accounting Expert, shall be made by a detailed writing and shall be final and binding on Seller and Buyer (and any amounts to be paid pursuant to Section 1.4(f) hereof shall thereupon be paid). Within twenty (20) days of the appointment of the Accounting Expert, each party shall deliver a written presentation of its position to the Accounting Expert and the other party, and the parties will then have ten (10) days to prepare a written response to the other party's presentation. The Accounting Expert may also request written responses from the parties to specific questions at any time, which shall be delivered to the Accounting Expert and the other party. The Accounting Expert shall make a determination as soon as practicable and in any event within sixty (60) days (or such other time as the parties shall agree in writing) after its engagement. Notwithstanding anything set forth in this Section 1.4(d), the scope of any dispute to be resolved by the Accounting Expert pursuant to this Section 1.4(d) shall be limited to whether the June Financial Statements were prepared in accordance with SAP (including the Agreed Accounting Policies), consistently applied with their application as of December 31, 2003, or whether there were mathematical errors in the June Financial Statements or the calculation of the June Adjusted Statutory Book Value, and, except for the foregoing matters, the Accounting Expert shall not and is not to make any further determination. In resolving any disputed item, the Accounting Expert may not assign a value to any particular item greater than the greatest value for such item claimed by Seller or Buyer or less than the smallest value for such item claimed by Seller or Buyer, in each case as presented to the Accounting Expert. Seller and Buyer agree to fully cooperate with each other and with the Accounting Expert to resolve any dispute.

(e) Seller and Buyer agree that judgment may be entered to give effect to the determination of the Accounting Expert in any court having jurisdiction over the party against which such determination is to be enforced. Notwithstanding any other provision of this Agreement to the contrary, the procedure set forth in this Section 1.4 shall be each party's exclusive remedy against the other party to this Agreement with respect to any disputes relating to an adjustment to the Closing Consideration; provided, however, that, except as provided in this sentence and in Section 7.3(d), Seller and GAC acknowledge that neither the decision of the Accounting Expert, if any, nor Parent and Buyer's acceptance of the final and binding June Financial Statements shall in any way limit or otherwise affect Parent and Buyer's rights to make any claim for breach of any representation, warranty or covenant of Seller or GAC under this Agreement, or in Parent and Buyer's right to indemnification for any such breach under Article VII.

(f) If the June Adjusted Statutory Book Value as calculated from the final and binding June Financial Statements: (i) is greater than the Target Statutory Book Value, then Buyer shall pay to Seller the amount by which the June Adjusted Statutory Book Value exceeds the Target Statutory Book Value; or (ii) is less than the Target Statutory Book Value, then Seller shall pay to Buyer the amount by which the June Adjusted Statutory Book Value is less than the Target Statutory Book Value (the amount of either such adjustment, a "Post-Closing Adjustment Amount"). The "Purchase Price" shall equal the Closing Consideration plus the Post-Closing Adjustment Amount, if payable by Buyer, or minus the Post-Closing Adjustment Amount, if payable by Seller. Buyer and Seller acknowledge that for purposes of the procedures set forth in this Section 1.4 only, the calculation of June Adjusted Statutory Book Value will be made subject to the provisions of Section 4.15.

(g) Any Post-Closing Adjustment Amount payable by Seller pursuant to this Section 1.4 shall be paid promptly by Seller, but in no event later than ten (10) Business Days following the final and binding determination of such Post-Closing Adjustment Amount (as determined by the Accounting Expert). Any Post-Closing Adjustment Amount payable by Buyer pursuant to this Section 1.4, shall be paid promptly by Buyer, but in no event later than ten (10) Business Days following the final and binding determination of such Post-Closing Adjustment Amount (as determined by the Accounting Expert); provided, however, that if any Post-Closing Adjustment Amount payable by Buyer pursuant to this Section 1.4 shall be an amount greater than \$20 million (the "Initial Adjustment Amount"), then Buyer shall (i) pay the Initial Adjustment Amount to Seller within ten (10) Business Days following the final and binding determination of such Post-Closing Adjustment Amount (as determined by the Accounting Expert) and (ii) shall issue to Seller a note (the "Adjustment Note") in the amount of the excess of such Post-Closing Adjustment Amount over the Initial Adjustment Amount, payable by Parent upon the earlier to occur of (A) the second Business Day after the date when it becomes permissible under applicable Law for Buyer to cause any Insurance Subsidiary to make a dividend to Buyer in the amount of such excess (and Buyer agrees to use its commercially reasonable efforts to facilitate the making of such dividend as promptly as practicable) and (B) the first Business Day after the twelve-month anniversary of the date that is 90 days after the Closing Date. Payment by either party of (i) any Post-Closing Adjustment Amount or (ii) the principal of any Adjustment Note shall in each case be made in immediately available funds via wire transfer to an account designated by the party entitled to receive such payment in writing, and shall in each case be paid together with interest thereon, at a rate per annum equal to the "Prime Rate" (as reported from time to time in *The Wall Street Journal*) plus 200 basis points, calculated on the basis of the actual number of days elapsed divided by 365, from and including the Closing Date to but excluding the date of payment.

(h) All fees and expenses of Seller relating to the matters described in this Section 1.4, including the preparation and delivery of the June Financial Statements and the fees of Ernst & Young LLP and Milliman, shall be borne by Seller, and all fees and expenses of Buyer relating to the matters described in this Section 1.4 shall be borne by Buyer. Notwithstanding the foregoing, in the event any dispute is submitted to the Accounting Expert for resolution as provided in Section 1.4(d) hereof, the fees and expenses of the Accounting Expert (and any arbitrator appointing such expert, if applicable) shall be borne equally by Seller and Buyer.

(i) Following the Closing, Buyer shall not take any action with respect to the accounting books and records of the Acquired Companies and their Subsidiaries on which the June Financial Statements or the calculation of June Adjusted Statutory Book Value is to be based that is not consistent with the past practices of the Acquired Companies (including the Agreed Accounting Policies) and would affect the June Financial Statements or the calculation of June Adjusted Statutory Book Value. Without limiting the generality of the foregoing, no changes shall be made in the methodology for establishing any reserve or other account existing as of the date of the balance sheet included within the June Financial Statements (including with respect to assumptions, estimations methodology and actuarial methodology) that would affect the June Financial Statements or the calculation of June Adjusted Statutory Book Value.

Section 1.5 Closing Costs; Transfer Taxes and Fees. Except as otherwise provided in this Section 1.5, Buyer and Seller shall each bear 50% of the cost of (a) all documentary, sales, use, stamp and transfer Taxes and any other Taxes or fees imposed by reason of the transfer of the Shares (and any deficiency, interest or penalty asserted with respect thereto) ("Transfer Taxes") and filing any associated Tax Returns and (b) all recording, filing, title and registration fees or other charges in connection with or as a direct result of the transfer of the Shares. Buyer shall bear all Transfer Taxes resulting solely from the fact that Parent is a foreign entity and all costs (including those costs relating to insurance regulatory approvals) of applying for new Required Licenses and obtaining the transfer of existing Required Licenses which may be lawfully transferred.

ARTICLE II. REPRESENTATIONS AND WARRANTIES OF SELLER AND GAC

Except as set forth in the disclosure letter delivered by Seller to Buyer (the "Seller Disclosure Letter") (provided, that the listing of an item in one part of the Seller Disclosure Letter shall be deemed to be a listing in each part of the Seller Disclosure Letter and to apply to any other representation and warranty of Seller and GAC in this Agreement to which its relevance is reasonably apparent on its face), each of Seller and GAC represents and warrants to Buyer as of the date of this Agreement and, unless such representations and warranties address a matter only as of a certain date, as of the Closing Date as follows:

Section 2.1 Organization. Each of Seller, GAC and the Acquired Companies has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Each of the Acquired Companies is duly qualified to do business and is in good standing in each jurisdiction in which the property owned, leased or operated by it, the sale of insurance or the nature of the business conducted by it makes such qualification necessary, except for such failures to be so duly qualified and in good standing that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies.

Section 2.2 Capitalization.

(a) The capitalization of each Acquired Company is set forth on Part 2.2(a) of the Seller Disclosure Letter, and there are no equity securities issued and outstanding of any Acquired Company except as so set forth on Part 2.2(a) of the Seller Disclosure Letter. All of the Shares are owned of record by Seller, GAC or an Acquired Company.

(b) All of the outstanding equity securities of each Acquired Company have been duly authorized and are validly issued, fully paid and nonassessable. None of the Shares have been issued in violation of, and none of the Shares are subject to, any purchase option, call, right of first refusal, preemptive, subscription or similar rights under any provision of Law, the Constituent Documents of Seller or any subsidiary of Seller or any Contract or Other Agreement.

(c) The Acquired Companies have no preferred stock, voting common stock, non-voting common stock, or other shares of capital stock reserved for or otherwise subject to issuance under existing plans or contractual commitments. The Acquired Companies do not have any outstanding bonds, debentures, notes or other debt obligations, or any outstanding warrants or options for the purchase of any class of equity security, the holders of which have the right to vote or which are convertible into or exercisable for securities having the right to vote with the holders of the Shares on any matter.

(d) There are no outstanding purchase rights, warrants, options, rights, phantom stock rights, agreements, convertible or exchangeable securities or other Contracts or Other Agreements relating to the issuance, sale, voting, rescission, redemption or transfer of any equity securities or other securities of any Acquired Company.

(e) None of the Acquired Companies owns, directly or indirectly, any capital stock of or other equity interests in any corporation, partnership or other Person (other than investments held in the Investment Portfolio in accordance with the Investment Guidelines) and none of the Acquired Companies is a member of or participant in any partnership or joint venture other than as may be permitted by the Investment Guidelines.

(f) Prior to the execution of this Agreement, Seller (i) has delivered to Buyer true and complete copies of the Constituent Documents, each as amended to date, of each of the Acquired Companies and (ii) has made available to Buyer true and complete copies of the stock certificate and transfer books and the minute books of each of the Acquired Companies.

Section 2.3 Authorization; Binding Agreement. Each of Seller and GAC has all requisite corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which each is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the other Transaction Documents to which each is a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of each of Seller and GAC. This Agreement has been duly and validly executed and delivered by each of Seller and GAC and (assuming the accuracy of the representations and warranties in Section 3.2) constitutes a legally valid and binding agreement of each of Seller, and GAC enforceable against each of Seller and GAC in accordance with its terms, subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting creditors' rights and remedies generally, and (ii) the effect of equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

Section 2.4 Noncontravention. Neither the execution and delivery of this Agreement and the other Transaction Documents nor the consummation of the transactions contemplated hereby and thereby will conflict with or result in any breach of any provision of, or require any consent or approval (other than consents and approvals described in Section 2.5 below) under or constitute (with or without notice or lapse of time or both) a violation or default (or give rise to any right of termination, cancellation or acceleration or to loss of a material benefit) under, or result in the creation of any Lien upon the property or assets of any Acquired Company under, any of the terms, conditions or provisions of (i) the Constituent Documents of Seller, GAC or any Acquired Company, (ii) any note, bond, mortgage, indenture, deed of trust, license, lease, contract, commitment, agreement, arrangement or other instrument or obligation (collectively, "Contracts or Other Agreements") to which Seller, GAC or any Acquired Company is a party or by which any of them or any portion of their properties or assets may be bound or (iii) any Law or Order applicable to Seller, GAC, any Acquired Company or any portion of their properties or assets or any Registered Investment Company or Registered Separate Account, other than in the case of foregoing clauses (ii) and (iii), any such items that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies.

Section 2.5 Approvals. No license, permit, consent, approval, order, certificate, authorization, declarations of or filing with any Governmental Entity on the part of Seller, GAC or any Acquired Company that has not been obtained or made is required in connection with the execution or delivery by Seller or GAC of this Agreement or the other Transaction Documents or the consummation by Seller and GAC of the transactions contemplated hereby and thereby, other than (a) filings and other applicable requirements under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (b) approvals, filings and/or notices required under any applicable state or federal banking laws or any applicable state or federal laws related to the sale or operation of insurance, investment companies, investment advisers or broker-dealers set forth in Part 2.5 of the Seller Disclosure Schedule, or (c) consents, approvals, authorizations, declarations or filings that, if not obtained or made, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies, or prevent Seller or GAC from consummating the transactions contemplated hereby.

Section 2.6 Financial Statements. (a) Attached as Part 2.6(a) of the Seller Disclosure Letter are (i) the unaudited combined financial statements (consisting of balance sheets and statements of income) as of and for the year ended December 31, 2003 of the Acquired Companies that are not Insurance Subsidiaries and (ii) the audited financial statements (consisting of balance sheets, statements of income and statements of cash flows), including the related footnotes, as of and for the year ended December 31, 2003 of each of the Acquired Companies listed on Part 2.6(a)(ii) of the Seller Disclosure Letter (collectively, the financial statements described in clauses (i) and (ii), the "Non-Insurance Financial Statements"). The Non-Insurance Financial Statements were derived from the same data and prepared using the same methodologies as were used in the annual audited GAAP financial statements of Seller included in the Seller's filings under the Exchange Act, and fairly present in all material respects (except, in the case of the Non-Insurance Financial Statements described in clause (i) above, for the absence of footnotes) the financial condition of the Acquired Companies that are not Insurance Subsidiaries as of the respective dates thereof and the results of operations of the Acquired Companies that are not Insurance Subsidiaries for the respective periods then ended.

(b) The Acquired Companies that are not Insurance Subsidiaries do not have any liabilities or obligations of any nature (whether accrued, absolute, contingent, unasserted or otherwise) required by GAAP to be reflected on a balance sheet or in the notes thereto, except (i) as disclosed, reflected or reserved against in the balance sheet included in the Non-Insurance Financial Statements and (ii) for ordinary course liabilities and obligations incurred in the ordinary course of the business of the Acquired Companies that are not Insurance Subsidiaries consistent with past practice since December 31, 2003 and not in violation of this Agreement. This representation and warranty shall not be deemed to be breached as a result of any change in GAAP or Law after the date of this Agreement.

Section 2.7 Certain Subsidiaries.

(a) Insurance Subsidiaries.

(i) Part 2.7(a)(i) of the Seller Disclosure Letter sets forth the name of each Acquired Company that is an insurance company (collectively, the "Insurance Subsidiaries"). Each of the Insurance Subsidiaries is (i) duly licensed or authorized in all material respects as an insurance company in its jurisdiction of incorporation, (ii) duly licensed or authorized in all material respects to carry on an insurance business in each other jurisdiction where it is required to be so licensed or authorized, and (iii) duly licensed or authorized in all material respects in its jurisdiction of incorporation and each other applicable jurisdiction to issue the Life & Annuity Contracts that it is currently writing, and was duly licensed or authorized in all material respects to issue the Life & Annuity Contracts that it wrote at the time such Life & Annuity Contracts were issued and otherwise to conduct its insurance and variable products business, as required by Law. Seller, GAC and the Insurance Subsidiaries have made all required filings under applicable Law regulating the business and products of insurance, except where the failure to file, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies. Part 2.7(a)(i) of the Seller Disclosure Letter sets forth the states where Seller, GAC and the Insurance Subsidiaries are domiciled or "commercially domiciled" for insurance regulatory purposes. Seller has previously delivered to Parent true and complete copies of all examination reports of insurance departments and any insurance regulatory authorities received by any Insurance Subsidiary since January 1, 2001.

(ii) With respect to each Insurance Subsidiary, each such Insurance Subsidiary's audited Insurance Subsidiary Statements as of and for the year ended December 31, 2003 are attached as Part 2.7(a)(ii) of the Seller Disclosure Letter. Such Insurance Subsidiary Statements present (and, with respect to any Insurance Subsidiary Statement for any quarter after December 31, 2003, and prior to the Closing, will present) fairly in all material respects, on a consistent basis and in accordance with the statutory accounting practices prescribed or permitted by the appropriate regulatory agencies of the jurisdiction in which such Insurance Subsidiary is domiciled ("SAP"), the financial position at the date of each such statement and results of each such Insurance Subsidiary's operations for each such referenced period. Schedule 1.4 sets forth certain of the accounting policies and practices (including with respect to assumptions, estimations methodology and actuarial methodology) used by Seller to prepare the December Financial Statements. No material deficiency has been asserted in writing by any Governmental Entity with respect to any Insurance Subsidiary Statements that has not been addressed to the satisfaction of such Governmental Entity. Except as indicated therein, all assets that are reflected as admitted assets on the Insurance Subsidiary Statements comply in all material respects with all applicable Laws regulating the business and products of insurance with respect to admitted assets, as applicable, and the amounts of capital reflected on the Insurance Subsidiary Statement of each Insurance Subsidiary are sufficient in nature and amount to meet all requirements of applicable Law. The Insurance Subsidiary Statements comply in all material respects with all applicable Law.

(iii) All reserves for policyholder liabilities reflected on the balance sheets of the Insurance Subsidiary Statements as of December 31, 2003, (A) were determined in accordance with actuarial standards of practice, consistently applied, (B) were based on actuarial assumptions that were reasonable in relation to the relevant policy and contract provisions and (C) are in compliance with SAP in all material respects (it being understood by Parent and Buyer that in making the representations and warranties in this Section 2.7(a)(iii) Seller and GAC are not representing and warranting that the reserves referred to therein or the assets supporting such reserves have been or will be sufficient or adequate for the purposes for which they were established or that reinsurance recoverables taken into account in determining the amount of such reserves will be collectible). The Insurance Subsidiaries do not have any liabilities or obligations of any nature (whether accrued, absolute, contingent, unasserted or otherwise) required by SAP to be reflected on a balance sheet or in the notes thereto, except (i) as disclosed, reflected or reserved against in the balance sheets included in the Insurance Subsidiary Statements, and (ii) for ordinary course liabilities and obligations incurred in the ordinary course of business and consistent with past practice since December 31, 2003 and not in violation of this Agreement (it being understood by Parent and Buyer that in making the representations and warranties in this Section 2.7(a)(iii) Seller and GAC are not representing and warranting that the reserves referred to therein or the assets supporting such reserves have been or will be sufficient or adequate for the purposes for which they were established or that reinsurance recoverables taken into account in determining the amount of such reserves will be collectible).

(iv) Since January 1, 2001, each Insurance Subsidiary has had procedures and programs which are reasonably designed to provide assurance that its respective agents and employees are in material compliance with Law, including without limitation, advertising, licensing and sales practices laws, regulations, directives, bulletins and opinions of governmental authorities. Seller has no knowledge of any material noncompliance with such procedures and programs.

(v) Each of the Life & Annuity Contracts has been marketed and sold by the Insurance Subsidiaries and, to the knowledge of Seller, marketed and sold by the independent agents of the Insurance Subsidiaries, in each case, in compliance in all material respects with applicable Law of the respective jurisdiction in which such Life & Annuity Contracts have been sold, including (i) all applicable prohibitions against "redlining" or withdrawal of business lines, (ii) all applicable requirements relating to the disclosure of the nature of insurance products as policies of insurance, (iii) all applicable requirements relating to insurance product projections and illustrations, (iv) all applicable prohibitions against discrimination based on factors relating to race, gender, national origin or similar distinctions, (v) all applicable prohibitions against "churning," or other improper replacement practices, (vi) all applicable prohibitions against "vanishing premium," premium offsets or other under-funding of life insurance policies, (vii) all applicable requirements relating to "Holocaust victims" and (viii) all other requirements or prohibitions relating to unfair trade practices under applicable Law. Each of the Insurance Subsidiaries has provided notice and disclosure, to the extent such notice and disclosure is required by applicable Law, to prospective insureds of situations, if any, in which premiums are charged (or policy charges are imposed) from the date of issue of a Life & Annuity Contract, notwithstanding that coverage begins at a later date.

(vi) Since January 1, 2001, each Insurance Subsidiary has maintained records which in all material respects accurately reflect transactions in reasonable detail, and accounting controls, policies and procedures reasonably designed to ensure that such transactions are recorded in a manner which permits the preparation of financial statements in accordance with GAAP and applicable statutory accounting requirements.

(vii) Seller has delivered to Buyer a true and correct copy of the Investment Guidelines, and since January 1, 2002 the Investment Portfolio has been invested in compliance in all material respects with the Investment Guidelines, as in effect at the time any such investment was made.

(b) Broker/Dealer Subsidiaries. Part 2.7(b) of the Seller Disclosure Letter sets forth the name of each Acquired Company that is registered as a broker or dealer (collectively, the "Broker/Dealer Subsidiaries"). Except as would not reasonably be expected to result in, individually or in the aggregate, a Material Adverse Effect on the Acquired Companies, (i) each of the Acquired Companies and each of its respective employees that is required, in order to conduct its business as it is now conducted, to be registered, licensed or qualified as a broker-dealer under the Exchange Act or, in the case of any employees, is otherwise required to be registered, licensed or qualified under the Exchange Act or NASD Regulations (which for this purpose shall include the NASD's Membership and Registration Rules (Rules 1000-1140)) is so registered, licensed or qualified (and has been so registered, licensed or qualified at all times since January 1, 1999 it has been required under applicable Law to be so registered, licensed or qualified), (ii) each Broker/Dealer Subsidiary is a member organization in good standing of the NASD, Inc. ("NASD"), securities exchanges, commodities exchanges, boards of trade, clearing organizations, trade organizations and such other Governmental Entities and organizations in which its membership is required in order to conduct its business as it is now conducted, (iii) each Broker/Dealer Subsidiary has timely filed all registrations, declarations, reports, notices, forms or other filings required to be filed with the SEC, NASD, the New York Stock Exchange or any other Governmental Entity and all fees and assessments due and payable in connection therewith have been paid, (iv) since the later of its inception or January 1, 2002, each Broker/Dealer Subsidiary has had net capital (as such term is defined in Rule 15c3-1 of the Exchange Act) that satisfies the minimum net capital requirements of the Exchange Act and of the laws of any jurisdiction in which such Broker/Dealer Subsidiary conducts business, and (v) no Broker/Dealer Subsidiary is, nor is any "associated person" of any Broker/Dealer Subsidiary, subject to a "statutory disqualification" (as such terms are defined in the Exchange Act) or subject to a disqualification that would be a basis for censure, limitations on the activities, functions or operations of, or suspension or revocation of the registration of such Broker/Dealer Subsidiary as a broker-dealer, under the Exchange Act and, to the knowledge of Seller and GAC, there is no proceeding or investigation pending by any Governmental Entity or self-regulatory organization that is reasonably likely to result in any such censure, limitations, suspension or revocation.

(c) Investment Adviser. Part 2.7(c) of the Seller Disclosure Letter sets forth the name of each Acquired Company that is registered as an "investment adviser" under the Investment Advisers Act (an "Investment Adviser Subsidiary"). Except as would not reasonably be expected to result in, individually or in the aggregate, a Material Adverse Effect on the Acquired Companies, (i) each of the Acquired Companies and each of its employees that is required, in order to conduct its business as it is now conducted, to be registered, licensed or qualified as an investment adviser under the Investment Advisers Act is so registered, licensed or qualified (and has been so registered, licensed or qualified at all times since January 1, 1999 it has been required under applicable Law to be so registered, licensed or qualified), (ii) each "investment adviser representative" (as defined in the Investment Advisers Act) of an Investment Adviser Subsidiary, if any, who is required to be registered as such is so registered (and has been so registered, licensed or qualified at all times since January 1, 1999 it has been required under applicable Law to be so registered, licensed or qualified), (iii) each Investment Adviser Subsidiary has timely filed all registrations, declarations, reports, notices, forms or other filings required to be filed with the SEC or any other Governmental Entity (the "SEC Documents"), and as of their respective dates, the SEC Documents of each Investment Adviser Subsidiary complied in all respects with the requirements of applicable Law (including the Securities Laws), and all fees and assessments due and payable in connection therewith have been paid; (iv) no Investment Adviser Subsidiary or any Person "associated" (as such term is defined in the Investment Advisers Act) with any Investment Adviser Subsidiary has been convicted of any crime or is subject to any disqualification that would be a basis for denial, suspension, or revocation of registration of an investment adviser under Section 203(e) of the Investment Advisers Act or Rule 206(4)-4(b) thereunder and, to the knowledge of Seller, there is no proceeding or investigation pending by any Governmental Entity or self-regulatory organization that is reasonably likely to result in any such denial, suspension or revocation, (v) in the conduct of its business with respect to employee benefit plans subject to Title I of ERISA ("ERISA Plans"), none of the Acquired Companies have (A) breached any applicable fiduciary duty under Part 4 of Title I of ERISA which would subject it to liability under Sections 405 or 409 of ERISA, (B) engaged in a "prohibited transaction" within the meaning of Section 406 of ERISA or Section 4975 of the Code which would subject it to liability or taxes under Sections 409 or 502 of ERISA or Section 4975 of the Code or (C) engaged in any conduct that could constitute a crime or violation listed in Section 411 of ERISA that could preclude such Person from providing services to any ERISA Plan, and (vi) each Investment Adviser Subsidiary and each of its predecessors, if any, has at all times rendered investment advisory services to investment advisory clients, including the Clients, in compliance with all applicable requirements as to portfolio composition and portfolio management including the terms of any and all applicable investment advisory agreements, written instructions from such investment advisory clients, the organizational documents of such investment advisory clients, prospectuses, board of director or trustee directives and applicable Law.

(d) Except as would not reasonably be expected to result in, individually or in the aggregate, a Material Adverse Effect on the Acquired Companies, no Investment Adviser Subsidiary has taken any action that would (x) prevent any of the Registered Investment Companies (other than a Registered Separate Account) from qualifying as a "regulated investment company", within the meaning of Section 851 of the Code, (y) cause any Client account which is subject to ERISA to fail to comply with the applicable requirements of ERISA or (z) otherwise be inconsistent with any of the Investment Adviser Subsidiaries' prospectus and other offering, advertising and marketing materials. The Seller has previously delivered to the Buyer a complete copy of each SEC Document filed by each Investment Adviser Subsidiary from January 1, 2001 through the date hereof (including a composite Form ADV as in effect on the date hereof).

(e) Each Acquired Company that acts as an investment adviser or distributor to a Registered Investment Company has adopted a formal code of ethics and a written policy regarding insider trading, a complete and accurate copy of each of which has been delivered to Parent and each of which substantially complies with Law. The policies of each Investment Adviser Subsidiary with respect to avoiding conflicts of interest are as set forth in its most recent Form ADV thereof, as amended, copies of which have been delivered to Parent, and there have been no material violations or allegations of violations of such policies that have occurred or been made that have not been addressed in accordance with these procedures.

(f) Each Investment Adviser Subsidiary has at all times maintained books and records which accurately reflect transactions in reasonable detail, and accounting controls, policies and procedures reasonably designed to ensure that such transactions are (i) executed in accordance with its management's general or specific authorization, as applicable, and (ii) recorded in a manner which permits the preparation of financial statements in accordance with GAAP and applicable regulatory accounting requirements and other account and financial data, including performance results, in accordance with applicable regulatory requirements, and the documentation pertaining thereto is retained, protected and duplicated in accordance with all applicable regulatory requirements, including the Investment Advisers Act and the Investment Company Act.

Section 2.8 Absence of Certain Changes or Events. Since December 31, 2003, the Acquired Companies have conducted their respective businesses only in the ordinary course consistent with past practice (except in connection with the transactions contemplated hereby) and have used commercially reasonable efforts to preserve intact the business organization of the Acquired Companies and to maintain satisfactory relationships with the customers, suppliers and employees and others with which the Acquired Companies have business relationships and, without limiting the generality of the foregoing:

(a) There have been no changes, effects, events, occurrences or developments which, individually or in the aggregate, have had or would reasonably be expected to result in a Material Adverse Effect on the Acquired Companies.

(b) None of the Acquired Companies has sold, assigned, transferred or conveyed any Proprietary Right.

(c) Except as otherwise contemplated by this Agreement or as required to ensure that any Plan is maintained in compliance with applicable Law or to comply with any Contract or Other Agreement regarding Business Employees or Plan entered into prior to the date hereof (complete and accurate copies of which have been heretofore delivered to Buyer), none of the Acquired Companies has (A) adopted, entered into, terminated or amended any collective bargaining agreement or Plan or any Contract or Other Agreement with respect to any current or former employees of an Acquired Company or any Bank Channel Employee, (B) increased in any manner the compensation, bonus or fringe or other benefits of, or paid any bonus of any kind or amount whatsoever to, any current or former Business Employee, except for any planned salary increases and payment of bonuses, each as described in Part 2.8(c) of the Seller Disclosure Letter, (C) paid any benefit or amount not required under any Plan or Contract or Other Agreement as in effect on the date of this Agreement, other than as contemplated in the foregoing clause (B), (D) except in the ordinary course of business consistent with past practice, granted or paid any severance or termination pay or increase in any manner the severance or termination pay of any current or former employees of an Acquired Company or any Bank Channel Employee, (E) granted any awards under any bonus, incentive, performance or other Plan, Contract or Other Agreement or otherwise, other than as contemplated in the foregoing clause (B), (F) taken any action to fund or in any other way secure the payment of compensation or benefits under any Plan or Contract or Other Agreement, (G) taken any action to accelerate the vesting or payment of any compensation or benefit under any Plan or Contract or Other Agreement or (H) materially changed any actuarial or other assumption used to calculate funding obligations with respect to any Acquired Company Plan or changed the manner in which contributions to any Acquired Company Plan are made or the basis on which such contributions are determined.

(d) No Acquired Company has effected any amendment or modification to its Constituent Documents.

(e) None of the Acquired Companies has made any material change in its fiscal year, accounting methods or principles used for GAAP or statutory reporting purposes, except for changes which are required by Law, SAP or GAAP of all enterprises in the same business.

(f) Except in the ordinary course of business consistent with past practice, no Acquired Company has made any material change, and neither Seller, GAC nor any Acquired Company has permitted any of the Insurance Subsidiaries to make any material change, in its underwriting or claims management practices, pricing practices, reserving practices, reinsurance practices, marketing practices or investment policies or practices or Investment Guidelines, except in each case as required by Law.

(g) None of the Acquired Companies has made any new material Tax election or any settlement or compromise of any material income Tax liability.

(h) No Acquired Company has revalued any properties or assets, including writing off notes or accounts receivable, other than in the ordinary course of the business of the applicable Acquired Company, or as required by applicable Law, SAP or GAAP.

(i) The investments of the Acquired Companies have been maintained, and no sales or other dispositions of investments have been effected, other than in accordance with the Investment Guidelines and in the ordinary course of business.

(j) The Seller has not taken or failed to take any action or permitted any Acquired Company to take or fail to take any action, in each case for the purpose of either: (i) shifting statutory income or surplus from the period following June 30, 2004 to the period preceding June 30, 2004 or (ii) increasing statutory income or surplus with the intent of increasing the June Adjusted Statutory Book Value or increasing the Closing Consideration to the detriment of Buyer and Parent; provided, however, that Parent and Buyer agree that any action taken by Seller, to the extent necessary to ensure that an independent auditor's opinion will be unqualified after an issue as to ability to give an unqualified opinion is raised by such auditor, shall not be deemed to be a breach of this Section 2.8(j).

(k) No Acquired Company has launched or introduced any material new product or service.

Section 2.9 Litigation, Judgments, No Default, Etc. There is no suit, action or proceeding (collectively, "Proceeding") pending or, to the knowledge of Seller, threatened in writing since January 1, 2001, to which any of the Acquired Companies or any Registered Investment Company or Registered Separate Account is a party and which (i) relate to or involve a claim for specified damages of more than \$1,000,000, (ii) relate to or involve any class action claims, (iii) seek any material injunctive relief or (iv) would reasonably be expected to give rise to any legal restraint on or prohibition against the transactions contemplated by this Agreement. There is no Proceeding or claim by any of the Acquired Companies pending, or which the Seller or a Subsidiary intends to initiate on behalf of any Acquired Company, against any other Person. To the knowledge of Seller, there is no pending or threatened investigation of any of the Acquired Companies or any Registered Investment Company or Registered Separate Account by any Governmental Entity. To the knowledge of Seller, there is no judgment, decree, injunction (preliminary or otherwise), rule or order (collectively "Orders") of any arbitrator or Governmental Entity outstanding against any of the Acquired Companies, any Registered Investment Company or any Registered Separate Account.

Section 2.10 Compliance; Material Contracts.

(a) No Acquired Company is in violation, breach or default of any term, condition or provision of its Constituent Documents.

(b) None of the Acquired Companies or, to the knowledge of Seller, any other party thereto, is in violation of or in breach or default under (nor, to the knowledge of Seller, does there exist any condition which upon the passage of time or the giving of notice or both would cause such a violation of or breach or default under) any Material Contract (as defined below) to which any Acquired Company is a party or by which any of them or any portion of their respective properties or other assets may be bound, except for violations, breaches or defaults that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies. Other than Related Contracts, none of the Acquired Companies has entered into any Contract or Other Agreement with any Affiliate of the Seller (other than another Acquired Company) that is in effect. Part 2.10(b) of the Seller Disclosure Letter sets forth a true and complete list of each Contract or Other Agreement (other than a Life and Annuity Contract or Related Contract entered into in the ordinary course of business) to which any Acquired Company is a party, or by which any of them or any portion of their respective properties or other assets may be bound, and that is of a nature described below in this Section 2.10(b) (each, a "Material Contract")::

(i) an employment contract (whether oral or written) that has an aggregate future liability in excess of \$100,000 and is not terminable by such Acquired Company by notice of not more than 60 days for a cost of less than \$50,000;

(ii) a Contract or Other Agreement (x) containing a provision limiting the ability of any Acquired Company to engage in any line of insurance or asset management in any geographical area or to compete with any Person, or (y) providing for "exclusivity" as a result of which any Acquired Company is restricted with respect to distribution and marketing;

(iii) a (A) management, service, consulting or other similar type of contract or (B) advertising agreement or arrangement, in any such case which has an aggregate future liability to any person (other than another Acquired Company) in excess of \$250,000 and is not terminable by such Acquired Company by notice of not more than 60 days for a cost of less than \$125,000;

(iv) a material license, option or other agreement relating in whole or in part to any Proprietary Rights described in Section 2.14 (including any license or other agreement under which any Acquired Company is licensee or licensor of any such Proprietary Right);

(v) a Contract or Other Agreement under which any Acquired Company has borrowed any money from, or issued any note, bond, debenture or other evidence of indebtedness to, any Person, or any other note, bond, debenture or other evidence of indebtedness issued to any Person, in any such case which, individually, is in excess of \$1,000,000;

(vi) a Contract or Other Agreement under which (A) any Person has directly or indirectly guaranteed indebtedness, liabilities or obligations of such Acquired Company or (B) any Acquired Company has directly or indirectly guaranteed indebtedness, liabilities or obligations of any Person (in each case other than endorsements for the purpose of collection in the ordinary course of business), in any such case which, individually, is in excess of \$1,000,000;

(vii) a Contract or Other Agreement under which such Acquired Company has made any advance, loan, extension of credit or capital contribution to, or other investment in, any Person, in any such case which, individually, is in excess of \$1,000,000;

(viii) a Contract or Other Agreement providing for indemnification outside of the ordinary course of business of any Person with respect to liabilities relating to any current or former business of any Acquired Company or any predecessor to an Acquired Company;

(ix) a Contract or Other Agreement with any Person (other than an Acquired Company) to which a Broker/Dealer Subsidiary is a party and pursuant to which such Broker/Dealer Subsidiary acts as a placement agent for securities;

(x) a Contract or Other Agreement by or to which any Acquired Company or any of an Acquired Companies' assets or business is bound or subject which has an aggregate future liability to any Person (other than another Acquired Company) in excess of \$1,000,000 and is not terminable by such Acquired Company by notice of not more than 60 days for a cost of less than \$500,000;

(xi) a Contract or Other Agreement preventing the solicitation for employment of third parties by the applicable Acquired Company;

(xii) a "standstill" Contract or Other Agreement prohibiting an Acquired Company from acquiring the assets or securities of any person;

(xiii) a partnership, joint venture, shareholders or other similar Contract or Other Agreement with any Person; or

(xiv) a Contract or Other Agreement relating to the future disposition or acquisition of any investment in any person or of any interest in any business enterprise (other than the disposition or acquisition of investments in the ordinary course of the business of the applicable Acquired Company, including the disposition or acquisition of investments forming part of the Investment Portfolio), or requiring an Acquired Company to purchase any security (other than the disposition or acquisition of investments in the ordinary course of business of the applicable Acquired Company, including the disposition or acquisition of investments forming part of the Investment Portfolio).

Section 2.11 Finders and Investment Bankers. Neither Seller nor any Acquired Company nor any of their respective officers, directors or Affiliates has employed any investment banker, financial advisor, broker or finder in connection with the transactions contemplated by this Agreement, except for Goldman, Sachs & Co. ("Goldman Sachs") and Milliman USA, Inc. ("Milliman"), or incurred any liability for any investment banking, business consultancy, financial advisory, brokerage or finders' fees or commissions in connection with the transactions contemplated hereby, except for fees payable to Goldman Sachs and Milliman, all of which fees have been or will be paid by Seller in accordance with the agreements between Seller and Goldman Sachs and Seller and Milliman.

Section 2.12 Collective Bargaining Agreements. No Acquired Company is a party to or subject to any collective bargaining agreement with any labor union. To the knowledge of Seller, no union organization campaign is in progress with respect to the Business Employees. There are no labor controversies pending or, to the knowledge of Seller, threatened in writing against any Acquired Company which, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect on the Acquired Companies. There are not any pending charges against Seller (relating to any of the Acquired Companies, any of their current or former employees or the Bank Channel Employees), any Acquired Company or any current or former employees of Seller or any Acquired Company by any Governmental Entity responsible for the prevention of unlawful employment practices, and none of Seller or any Acquired Company has received written communication during the past three years of the intent of any Governmental Entity responsible for the enforcement of labor or employment laws to conduct an investigation of or affecting any Acquired Company and, to the knowledge of Seller, no such investigation is in progress.

Section 2.13 Insurance. Seller carries insurance with respect to the Acquired Companies with insurers that, to the knowledge of Seller, are solvent, in amount and types of coverage which are customary in the industry and against risks and losses which are usually insured against by persons holding or operating similar properties and similar businesses. Except as would not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect on the Acquired Companies, all such policies are in full force and effect, all premiums due and payable thereon have been paid (other than retroactive or retrospective premium adjustments that are not yet, but may be, required to be paid with respect to any period ending prior to the Closing Date), and no notice of cancellation or termination has been received with respect to any such policy which has not been replaced on substantially similar terms prior to the date of such cancellation. To the knowledge of Seller, the business of the Acquired Companies has been conducted in a manner so as to conform in all material respects to all applicable provisions of such insurance policies. No material claims have been asserted under any of such insurance policies or relating to the properties, assets or operations of the Acquired Companies since January 1, 2002.

Section 2.14 Proprietary Rights.

(a) The Acquired Company Proprietary Rights, together with the intellectual property being licensed under each of the Transitional Trademark License, the Buyer Intellectual Property License and the IP Side Letters, will immediately after the Closing be sufficient to conduct the business of the Acquired Companies as it is now being conducted. Part 2.14(a) of the Seller Disclosure Letter sets forth a true and complete list of all material unregistered and unpatented Acquired Company Proprietary Rights. With respect to all Acquired Company Proprietary Rights that are registered or subject to an application for registration in the United States, Part 2.14(a) of the Seller Disclosure Letter sets forth a list of all registered Acquired Company Proprietary Rights and a list of all jurisdictions in which such Proprietary Rights are registered or registrations applied for and all registration and application numbers. All the material Acquired Company Proprietary Rights have been duly registered in, filed in or issued by the appropriate Governmental Entity where such registration, filing or issuance is necessary for the conduct of the business of the Acquired Companies as it is presently conducted. The Acquired Companies are the owners of, and, to the knowledge of Seller, have the right to use, execute, reproduce, display, perform, modify, enhance, distribute, prepare derivative works of and sublicense, without payment to any other Person, all the Acquired Company Proprietary Rights, and the consummation of the transactions contemplated hereby does not and will not conflict with, alter or impair any such rights, and since January 1, 2002 neither Seller nor any Acquired Company has received any written communication from any Person asserting any ownership interest in any Acquired Company Proprietary Rights. Neither Seller nor any Acquired Company has granted any license of any kind relating to any Acquired Company Proprietary Rights (other than to an Acquired Company).

(b) To the knowledge of Seller, the operations of the Acquired Companies do not violate, conflict with or infringe and, to the knowledge of Seller, since January 1, 2002, no Person has asserted in writing to the Acquired Companies that such operations violate, conflict with or infringe any patents, copyrights or trademarks owned by any third party. To the knowledge of Seller, there are no third parties whose operations infringe nor has anyone asserted in writing that such operations conflict with or infringe, any Acquired Company Proprietary Rights.

Section 2.15 Compliance with Law. The businesses of the Acquired Companies have been conducted in compliance with all Laws applicable to the Acquired Companies, except for instances of non-compliance which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Acquired Companies. None of the Acquired Companies or any Registered Investment Company or Registered Separate Account has received any written notice of any alleged violation of Law from a Governmental Entity since January 1, 2002 (other than written notices which have been cured or otherwise remedied), and there are no pending or, to the knowledge of Seller, threatened hearings or investigations with respect to any such violation. To the knowledge of the Seller, there is no unresolved violation or exception by any Governmental Entity with respect to any report or statement relating to any examination of any Acquired Company or any Registered Investment Company or Registered Separate Account. This Section 2.15 does not relate to matters covered by Section 2.17, Section 2.18, Section 2.19 or Section 2.20.

Section 2.16 Real Property.

(a) Each of the Acquired Companies has good, clear and marketable fee title to the real property listed on Part 2.16(a) of the Seller Disclosure Letter, free and clear of all Liens except (i) taxes not yet due and (ii) such imperfections or irregularities of title or other Liens as do not and would not reasonably be expected to materially affect the use of the real property subject thereto or affected thereby or otherwise materially impair business operations at such properties.

(b) Part 2.16(b) of the Seller Disclosure Letter sets forth the address of each material parcel of property leased or subleased by an Acquired Company (each, a "Leased Property"), and a true and complete list of all leases for each such Leased Property (each, a "Lease") (including the date and name of the parties to such Lease). With respect to each of the Leases:

(i) such Lease is valid and in full force and effect;

(ii) to the knowledge of Seller, the transactions contemplated in this Agreement do not require the consent of any other party to a Lease, an assignment of Lease or a sublease;

(iii) to the knowledge of Seller, (A) the Acquired Company or any other party to the Lease is not in breach or default under such Lease, and (B) no event has occurred or circumstance exists which, with the delivery of notice, the passage of time or both, would constitute such a breach or default, or permit the termination, modification or acceleration of rent under such Lease;

(iv) to the knowledge of Seller, the Acquired Company has not subleased, licensed or otherwise granted anyone the right to use or occupy such Leased Property or any portion thereof; and

(v) to the knowledge of Seller, the Acquired Company has not collaterally assigned or granted any other security interest in such Lease or any interest therein.

(c) The Leased Properties comprise all of the real property used in the business of the Acquired Companies as currently conducted.

Section 2.17 Licenses and Permits.

(a) Except as otherwise expressly addressed in Section 2.7, the Acquired Companies and each Registered Investment Company and Registered Separate Account have obtained, and are and have at all times since January 1, 2002 been in compliance in all respects with, all necessary licenses, permits, consents, approvals, orders, certificates, authorizations, declarations and filings required by all Governmental Entities for the conduct of the businesses and operations of the Acquired Companies as now conducted (collectively, the "Required Licenses"), except where the failure to have obtained or complied with any such Required Licenses, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies.

(b) Part 2.17(b) of the Seller Disclosure Letter sets forth a list of all Required Licenses. Since January 1, 2002, Seller has not received written notice of any Proceedings relating to the revocation or modification of any Required Licenses the loss of which, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect on the Acquired Companies. To the knowledge of Seller, and except for the "relicensing" requirements in the states identified on Part 2.17(b) of the Seller Disclosure Letter and any similar requirements in other states that may be triggered by the change in control of the Insurance Subsidiaries but do not require the approval of any Governmental Entity sooner than 90 days following the Closing, none of the Required Licenses will be subject to suspension, modification, revocation or nonrenewal as a result of the execution and delivery of this Agreement or the other Transaction Documents or the consummation of the transactions contemplated hereby or thereby.

Section 2.18 Environmental Matters. Except for such matters that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies:

(a) each of the Acquired Companies is, and has been, in compliance with all Environmental Laws, and none of the Acquired Companies has received any communication that alleges that any of the Acquired Companies are in violation of, or have liability under, any Environmental Law;

(b) each of the Acquired Companies has obtained and is in compliance with all Environmental Permits necessary for its operations as currently conducted;

(c) there are no Environmental Claims pending or, to the knowledge of Seller, threatened in writing, against any of the Acquired Companies;

(d) there have been no releases of any Hazardous Material that would reasonably be expected to form the basis of any Environmental Claim against any of the Acquired Companies or against any Person whose liabilities for such Environmental Claims any of the Acquired Companies have, or may have, retained or assumed, either contractually or by operation of law; and

(e) (i) none of the Acquired Companies has retained or assumed, either contractually or by operation of law, any liabilities or obligations that could reasonably be